

Message Text

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PAGE 01 MUSCAT 00651 01 OF 02 090723Z
ACTION EB-08

INFO OCT-01 AF-10 ARA-14 EA-12 EUR-12 NEA-11 AGRE-00
DOE-15 SOE-02 CIAE-00 DODE-00 PM-05 H-02 INR-10
L-03 NSAE-00 NSC-05 PA-02 SP-02 SS-15 ICA-20
ISO-00 IO-14 AID-05 STR-07 OMB-01 CEA-01 FRB-01
XMB-04 OPIC-06 LAB-04 SIL-01 /193 W
-----048388 090733Z /16

R 090500Z MAY 78
FM AMEMBASSY MUSCAT
TO /SECSTATE WASHDC 4308
INFO AMEMBASSY ABU DHABI
AMEMBASSY ATHENS
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
USDEPT TREASURY
AMEMBASSY DOHA
USINT BAGHDAD
AMEMBASSY CAIRO
AMEMBASSY SANA
AMEMBASSY KHARTOUM
USDOC WASHDC
AMEMBASSY AMMAN
AMCONSUL DHAHRAN

UNCLAS SECTION 1 OF 2 MUSCAT 0651

E.O. 11652: N/A
TAGS: BEXP, MU
SUBJECT: RECOMMENDATIONS ON A NATIONAL EXPORT POLICY

REF (A) STATE 095673, (B) KUWAIT 2510, (C) ABU DHABI 1210
(NOTAL, (D) BAGHDAD 0935, (E) MANAMA 1023 (NOTAL)

SUMMARY: EMBASSY MUSCAT WELCOMES ADMINISTRATION ATTENTION
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TO EXPORT POLICY AND APPLAUDS COMMENTS OF OTHER REGIONAL POSTS.
WE SHARE BELIEF THAT THE BIGGEST OBSTACLES TO U.S. EXPORTS IN
THIS PART OF WORLD ARE SELF-IMPOSED: THE ANTI-BOYCOTT
REGULATIONS, THE TAXATION OF U.S. CITIZENS WORKING ABROAD, AND
EVEN TO SOME EXTENT THE FOREIGN CORRUPT PRACTICES ACT. WE
SUGGEST THAT ATTENTION AND RESOURCES BE CONCEENTRATED ON THE
MUNDANE AREAS OF TRADE PROMOTION AND FULLY STAFFING OFFICES

RESPONSIBLE FOR CARRYING IT OUT. U.S. DEPARTMENT OF AGRICULTURE (USDA) EXPORT PROMOTION EFFORTS NEED TO BE COORDINATED WITH STATE AND COMMERCE. AN ADDITIONAL OFFICER FOR REGIONAL TRADE AND DEVELOPMENT OFFICE (RTDO) IN ATHENS IS SUGGESTED. END SUMMARY.

1. EMBASSY MUSCAT WELCOMES ADMINISTRATION'S FOCUS ON EXPORTS AND APPLAUDS THE THOUGHTFUL COMMENTS OF OTHER REGIONAL POSTS, ESPECIALLY THE SUPERBLY WRITTEN TELEGRAM OF EMBASSY KUWAIT (REF B). WE HOPE KUWAIT'S TELEGRAM GETS THE CLOSE ATTENTION IN WASHINGTON IT DESERVES.

2. AS SEEN FROM THIS DISTANCE, WASHINGTON IS GOING ALL DIRECTIONS AT ONCE ON TRADE POLICY. AS EMBASSY ABU DHABI NOTES, THE BIGGEST OBSTACLES TO INCREASING U.S. EXPORTS IN THIS PART OF THE WORLD ARE SELF-IMPOSED. THE ANTI-BOYCOTT REGULATIONS HAVE ALREADY CAUSED DIFFICULTIES IN OMAN IN PROCESSING LETTERS OF CREDIT TO U.S. FIRMS. INCREASED U.S. TAXATION WILL MAKE U.S. WORKERS EVEN LESS COMPETITIVE PRICE-WISE WITH OTHER EXPATRIATE WORKERS FOR STAFFING OVERSEAS PROJECTS. BRITISH EXPATRIATES, OUR CHIEF COMPETITION HERE, PAY NO TAX TO THEIR OWN GOVERNMENT ON OVERSEAS EARNINGS AND CAN THEREFORE BE HIRED FAR MORE CHEAPLY. THIS EMBASSY WAS RECENTLY CONTACTED BY A BRITISH RECRUITING FIRM SEEKING A LIST OF U.S. COMPANIES IN OMAN. THE FIRM BALDLY EXPLAINED THAT IT INTENDED TO OFFER ITS SERVICES TO REPLACE

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THE HIGH-TAX AMERICANS WITH TAX-FREE BRITISH. U.S. CONSULTANTS HAVE BEEN UNABLE TO WIN JOBS IN OMAN OVER OTHER EXPATRIATE FIRMS BECAUSE, THE OMANIS TELL US, U.S. CONSULTANTS ARE TOO EXPENSIVE. U.S. CONSULTANTS, HAD THEY WON, WOULD LIKELY SPECIFY U.S. EQUIPMENT.

3. THE FOREIGN CORRUPT PRACTICES ACT SHOULD BE LOOKED AT IN A SIMILAR LIGHT. WE DO NOT QUESTION THE LAUDABLE INTENT OF THIS LAW, BUT FROM A PURELY ANALYTICAL VIEWPOINT WE CANNOT IGNORE THAT IT PUTS A HIGHER STANDARD OF CONDUCT ON U.S. BUSINESSMEN THAN THEIR COMPETITORS FACE. IN ITS EFFECT ON U.S. BUSINESSMEN, IT DOES WHAT EMBASSY KUWAIT APTLY DESCRIBED IN ANOTHER CONTEXT AS HEIGHTENING "THEIR PERCEPTION OF RISK, A KEY ELEMENT IN THEIR PRESENT DISINCLINATION TO EXPORT". THE ACT THUS ILLUSTRATES EVEN MORE CLEARLY THAN THE BOYCOTT TAND TAX RULES THE U.S. TENDENCY TO MORALIZE THROUGH UNILATERAL LEGISLATIONS; A HABIT THAT WEAKENS OUR COMPETITIVE POSITION AND COULD STIMULATE RESENTMENT BECAUSE WE INTRUDE OUR STANDARDS ACROSS ANOTHER COUNTRY'S BORDERS. AT A PHILOSOPHICAL AND ETHICAL LEVEL ONE CAN FIRMLY OPPOSE SECONDARY BOYCOTTS, BELIEVE IN FAIR TAXATION, AND CONDEMN BRIBERY AND YET BE AWARE THAT SELF-IMPOSED RESTRICTIONS MAY BE AN INSUFFICIENT

ANSWER.

4. ANYWAY, EMBASSY MUSCAT WAS UNDER THE IMPRESSION WE
ALREADY HAD THE BASICS OF POLICY ON EXPORTS (TO PROMOTE THEM)
AND THAT OUR EXPORT SECTOR WAS NOT PERFORMING THAT BADLY, WITH
THE TRADE DEFICIT STEMMING FROM OIL IMPORTS. AFTER ALL, THE
TRADE DEFICIT IS DEFINED AS X-M, AND TO REDUCE THE DEFICIT ONE
CAN DO SO BY REDUCING M, I.E. MAINLY OIL IMPORTS, AS WELL
AS INCREASING X. WE HOPE ALL THIS CONCERN OVER EXPORTS IS
NOT A REFLECTION OF OUR DOMESTIC INABILITY TO CHARGE MORE AT
THE GAS PUMP, AND THAT IT IS NOT A CONCERN WHICH WILL VANISH
WHEN OUR ENERGY PROBLEM IS RESOLVED.

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5. IN ANSWERING REF A IT IS IRONIC TO RECALL THAT SERIOUS CON-

SIDERATION WAS GIVEN TO ABOLITION OF THE REGIONAL TRADE AND DEVELOPMENT OFFICE (RTDO) IN ATHENS, DESPITE THE CONSENSUS OF OPINION THAT IT WAS USEFUL IN PROMOTING EXPORTS. FROM OUR OWN EXPERIENCE WITH A RECENT ELECTRICAL ENERGY TRADE MISSION (TM) WE FEEL THE OFFICE SHOULD BE EXPANDED. WHILE THE TM RAN SMOOTHLY, ITS PERFORMANCE COULD HAVE BEEN EVEN BETTER HAD AN OFFICER FROM RTDO LED THE MISSION AS WELL AS DONE THE ADVANCE WORK. THIS WOULD UNCLASSIFIED

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PRESUMABLY REQUIRE AN ADDITIONAL U.S. OFFICER, GIVEN TRAVEL REQUIREMENTS ALREADY IMPOSED ON RTDO. WE RECOGNIZE THAT THIS SUGGESTION IS SAILING AGAINST THE WIND, SINCE MOST EMBASSIES ARE UNDER ORDERS TO FIND A WAY TO REDUCE STAFF, NOT AUGMENT THEM.

6. ALSO, IT IS OUR IMPRESSION THAT THE OFFICES AT USDOC THAT DEALT WITH THE TRADE MISSION WERE NOT FULLY STAFFED. SEVERAL MINOR MISTAKES, SUCH AS AN INCORRECT NUMBER OF HOTEL RESERVATIONS (LATER RECONFIRMED INCORRECTLY) AND FORGETTING TO OBTAIN VISAS HAVE BEEN EXPLAINED TO US INFORMALLY AS THE RESULT OF A SHORT AND HARRASSED STAFF. ANOTHER TM (ON MATERIALS HANDLING) WAS CANCELLED ABRUPTLY. THE PROMISED JUSTIFICATION FOR THE CANCELLATION HAS STILL NOT ARRIVED. THERE SEEMS TO BE A STAFF SHORTAGE IN THE MAIL ROOM AS WELL, EITHER AT STATE OR COMMERCE. OUR ECONOMIC TRENDS REPORT DONE DECEMBER 21, 1977, ARRIVED MID-APRIL 1978.

7. IT IS PROBABLY JUST AS WELL THAT THE MATERIALS HANDLING TM DID NOT COME, AS IT WAS ALREADY YEARS TOO LATE. FOR THAT MATTER, THE ELECTRICAL ENERGY TM WAS ALSO A BIT LATE. WE BELIEVE THAT TO BE TRULY EFFECTIVE IN THIS MARKET, TRADE MISSIONS MUST BE CONCEIVED, ORGANIZED, AND DISPATCHED IN NO MORE THAN 6 MONTHS. WE ALSO THINK THEY SHOULD BE ON A SMALL SCALE FOR THIS MARKET.

8. THIS POST HAS BEEN HAPPY WITH THE BACKSTOPPING DONE BY COMMERCE IN GENERAL AND CAGNE IN PARTICULAR, AND WE HOPE THAT THE LATEST (IN THE CONTINUING SAGA OF) USDOC REORGANIZATION WILL NOT IMPAIR THAT SERVICE. ON THE OTHER HAND, HOW TO COMMUNICATE WITH USDA REMAINS A MYSTERY. AS U.S. FOOD PRODUCTS ARE A VERY GOOD PROSPECT FOR INCREASED EXPORTS, THE SAME SORT OF INTERCHANGE AND COORDINATION THAT EXISTS BETWEEN UNCLASSIFIED

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USDOC AND STATE SHOULD BE ESTABLISHED WITH USDA. AT THE RECENT TANGIER ECONOMIC/COMMERCIAL CONFERENCE USDA WAS

NOTABLY ABSENT.

9. MOST OF OUR SUGGESTIONS ARE OF A "NUTS AND BOLTS" TYPE AND NOT VERY POLICY-ORIENTED. BUT WE FEEL INCREASING EXPORTS IS MOSTLY A MATTER OF HARD WORK AND WOULD FIND IT UNFORTUNATE IF CONSIDERATION OF A NATIONAL EXPORT POLICY TOOK AWAY FUNDS AND PERSONNEL THAT COULD BE USED FOR TRADE PROMOTION. IN PARTICULAR, WE ARE SKEPTICAL OF "QUICK-FIX" GIMMICKS AND DIRECT OR INDIRECT SUBSIDY SCHEMES. UNDER THE CURRENT SYSTEM OF FLOATING EXCHANGE RATES, EXPORTS CAN BE SUBSIDIZED ONLY AT THE EXPENSE OF OTHER SECTORS OF THE ECONOMY, AND THIS IS HARD TO JUSTIFY. TRADE PROMOTION, HOWEVER, IS ONE USG ACTIVITY TRULY JUSTIFYING THE USE OF TAXPAYERS' FUNDS. IT HELPS TO OVERCOME THE IMPERFECT AVAILABILITY OF INFORMATION. IF DONE VIGOROUSLY WITH A KEEN EYE TO OPPORTUNITIES, U.S. PRODUCTION CAN BE DRAWN INTO AREAS OF ITS COMPARATIVE ADVANTAGE. SIZER

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